

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Caldwell Township	County Missaukee
Fiscal Year End March 31, 2008	Opinion Date June 20, 2008	Date Audit Report Submitted to State August 4, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

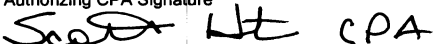
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	SAS 112 Letter; SAS 114 Letter	
Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.		Telephone Number (231) 775-9789	
Street Address 134 W. Harris Street		City Cadillac	State MI
Zip 49601			
Authorizing CPA Signature 	Printed Name Scott A. Hunter, C.P.A.	License Number 1101009890	

CALDWELL TOWNSHIP, MISSAUKEE COUNTY

MANTON, MICHIGAN

MARCH 31, 2008

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

PHONE: 231-775-9789 FAX: 231-775-9749

www.bcbcpa.com

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
MANTON, MICHIGAN

MARCH 31, 2008

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CALDWELL TOWNSHIP, MISSAUKEE COUNTY
MANTON, MICHIGAN

MARCH 31, 2008

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PHONE: 231-775-9789 FAX: 231-775-9749
www.bcbcpa.com

June 20, 2008

INDEPENDENT AUDITORS' REPORT

To the Township Board
Caldwell Township
Missaukee County
Manton, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Caldwell Township, Missaukee County, Manton, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Caldwell Township, Missaukee County, Manton, Michigan as of March 31, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages iii through viii and budgetary comparison information on page 19 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Caldwell Township, Missaukee County, Manton, Michigan's basic financial statements. The combining and individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
MANTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

Caldwell Township, a general law township located in Missaukee County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Caldwell Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2008.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$879,288. Of this amount, \$673,255 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$754,619. About 89% is available for spending at the Township's discretion.
- ◆ The Township is not obligated under any long-term debt as of March 31, 2008.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements This report includes government-wide financial statements required by GASB 34. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
MANTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government and administration, public safety, public works, cultural and recreation and other functions. The Township does not have any business-type activities.

Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
MANTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over time. The Net Assets of the Township were \$879,288 at March 31, 2008, meaning the Township's assets were greater than its liabilities by this amount.

Caldwell Township
Net Assets as of March 31, 2008

	<u>Governmental Activities</u>
Assets	
Current Assets	\$ 754,890
Non Current Assets	
Capital Assets	263,073
Less: Accumulated Depreciation	<u>138,404</u>
Total Non Current Assets	<u>124,669</u>
Total Assets	<u><u>\$ 879,559</u></u>
Liabilities	
Current Liabilities	<u>\$ 271</u>
Net Assets	
Invested in Capital Assets	124,669
Restricted for Specific Purposes	81,364
Unrestricted	<u>673,255</u>
Total Net Assets	<u><u>879,288</u></u>
Total Liabilities and Net Assets	<u><u>\$ 879,559</u></u>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others). The Township is not responsible for any long-term debt as of March 31, 2008. Other liabilities are minimal as of March 31, 2008.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets for the government as a whole.

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
MANTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

The total net assets of the Township increased by \$70,696 in this fiscal year, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

Caldwell Township
Change in Net Assets
for the Fiscal Year Ended March 31, 2008

	<u>Governmental Activities</u>
<u>Revenues</u>	
Program Revenues	
Charges for Services	\$ 3,975
Operating Grants and Contributions	6,618
General Revenues	
Taxes	100,320
State Grants	93,249
Interest Earnings	24,487
Other	<u>1,513</u>
Total Revenues	<u>230,162</u>
<u>Expenses</u>	
Legislative	10,012
General Government	98,445
Public Safety	32,641
Public Works	5,803
Cultural and Recreation	4,050
Other Functions	<u>8,515</u>
Total Expenses	<u>159,466</u>
Change in Net Assets	70,696
<u>NET ASSETS</u> - Beginning of Year	<u>808,592</u>
<u>NET ASSETS</u> - End of Year	<u><u>\$ 879,288</u></u>

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
MANTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

Governmental Activities

During the fiscal year ended March 31, 2008, the Township's net assets increased by \$70,696. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

A significant portion of the revenue for all governmental activities of Caldwell Township comes from property taxes and special assessments. The Township levied 1.4597 mills for operating purposes.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax. In fiscal year 2008, the amount of state shared revenue received decreased by a small amount.

The Township's governmental activities expenses are dominated by general governmental expenses. The Township spent \$98,445 in fiscal year 2008 on general government expenses. Public Safety represented the next largest expense at \$32,641.

Financial Analysis of the Government's Funds

Governmental Funds The focus of Caldwell Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Caldwell Township's governmental funds reported combined ending fund balances of \$754,619, \$672,663 of this constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for street lighting must be used for expenditures that relate to street lighting.

General Fund – The General Fund increased its fund balance by \$63,792 which brings the fund balance to \$673,255. Of the General Fund's fund balance, \$672,663 is unreserved. All of the General Fund's functions ended the year with expenditures below budgeted amounts. Property taxes amounted to \$58,326 and state grants were collected in the amount of \$95,817.

Fire Fund – The Fire Fund fund balance increased by \$4,153. Property taxes collected amounted to \$34,949.

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental activities as of March 31, 2008, amounted to \$124,669 net of accumulated depreciation.

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
MANTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

Capital assets summarized below include any items purchased with a cost greater than \$1,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

Caldwell Township
Capital Assets as of March 31, 2008

	Governmental Activities
Land and Land Improvements	\$ 28,475
Buildings and Building Improvements	169,683
Infrastructure	8,116
Equipment and Furniture	56,799
	<hr/> 263,073
Less: Accumulated Depreciation	<hr/> 138,404
	<hr/>
Net Capital Assets	<hr/> <hr/> \$ 124,669

During the fiscal year the Township purchased a new furnace for the township hall and completed some drain improvements on Packingham Road.

Long-Term Debt. Caldwell Township has no obligation for any long-term debt as of March 31, 2008.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential further reductions in state-shared revenues.

These factors were considered in preparing the Township's budgets for the 2008-09 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Caldwell Township at 3401 Hilbrand Road, Manton, Michigan 49663.

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
MANTON, MICHIGAN

STATEMENT OF NET ASSETS
MARCH 31, 2008

ASSETS

CURRENT ASSETS

Cash	\$ 718,400
Taxes Receivable	11,823
Accounts Receivable	1,065
Due from Other Governments	22,010
Due from External Parties (Fiduciary Fund)	1,000
Prepaid Expenses	592
	<hr/>
Total Current Assets	754,890
	<hr/>

CAPITAL ASSETS

Land	5,000
Land Improvements	23,475
Buildings	59,255
Building Improvements	110,428
Infrastructure	8,116
Equipment and Furniture	56,799
	<hr/>
	263,073
Less Accumulated Depreciation	138,404
	<hr/>
Net Capital Assets	124,669
	<hr/>
TOTAL ASSETS	879,559
	<hr/>

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	271
	<hr/>

NET ASSETS

Invested in Capital Assets	124,669
Restricted for Street Lighting	12,865
Restricted for Fire Protection	68,499
Unrestricted	673,255
	<hr/>
TOTAL NET ASSETS	\$ 879,288
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
MANTON, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2008

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGE IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES
PRIMARY GOVERNMENT					
<u>GOVERNMENTAL ACTIVITIES</u>					
Legislative	\$ 10,012	\$ 0	\$ 0	\$ 0	\$ (10,012)
General Government	98,445	3,975	0	0	(94,470)
Public Safety	32,641	0	0	0	(32,641)
Public Works	5,803	0	2,568	0	(3,235)
Cultural and Recreation	4,050	0	4,050	0	0
Other Functions	8,515	0	0	0	(8,515)
Total Governmental Activities	<u>\$ 159,466</u>	<u>\$ 3,975</u>	<u>\$ 6,618</u>	<u>\$ 0</u>	<u>(148,873)</u>
<u>GENERAL REVENUES</u>					
					100,320
					93,249
					24,487
					1,513
					<u>219,569</u>
					70,696
					<u>808,592</u>
					<u>\$ 879,288</u>

The accompanying notes are an integral part of the financial statements.

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
MANTON, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
MARCH 31, 2008

<u>ASSETS</u>	<u>GENERAL FUND</u>	<u>FIRE FUND</u>	<u>NONMAJOR FUNDS</u>	<u>TOTALS</u>
Cash	\$ 642,089	\$ 64,047	\$ 12,264	\$ 718,400
Taxes Receivable	6,499	4,452	872	11,823
Accounts Receivable	1,065	0	0	1,065
Due from Other Governments	22,010	0	0	22,010
Due from Other Funds	1,000	0	0	1,000
Prepaid Expenditures	592	0	0	592
 TOTAL ASSETS	 \$ 673,255	 \$ 68,499	 \$ 13,136	 \$ 754,890
 <u>LIABILITIES AND FUND BALANCE</u>				
 <u>LIABILITIES</u>				
Accounts Payable	\$ 0	\$ 0	\$ 271	\$ 271
 <u>FUND BALANCE</u>				
Reserved for:				
Street Lighting	0	0	12,865	12,865
Fire Protection	0	68,499	0	68,499
Prepaid Expenditures	592	0	0	592
Unreserved				
Undesignated	672,663	0	0	672,663
 Total Fund Balance	 673,255	 68,499	 12,865	 754,619
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 673,255	 \$ 68,499	 \$ 13,136	 \$ 754,890

The accompanying notes are an integral part of the financial statements.

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
MANTON, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
MARCH 31, 2008

Total Fund Balances for Governmental Funds	\$ 754,619
--	------------

Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land	5,000	
Land Improvements	23,475	
Buildings	59,255	
Building Improvements	110,428	
Infrastructure	8,116	
Equipment and Furniture	56,799	
Accumulated Depreciation	<u>(138,404)</u>	<u>124,669</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 879,288</u>
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The accompanying notes are an integral part of the financial statements.

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
MANTON, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2008

	GENERAL FUND	FIRE FUND	NON MAJOR FUNDS	TOTALS
<u>REVENUES</u>				
Taxes	\$ 58,326	\$ 34,949	\$ 7,045	\$ 100,320
State Grants	95,817	0	0	95,817
Charges for Services	3,975	0	0	3,975
Interest and Rents	22,948	1,845	149	24,942
Other Revenues	1,058	0	4,050	5,108
Total Revenues	182,124	36,794	11,244	230,162
<u>EXPENDITURES</u>				
Legislative	10,012	0	0	10,012
General Government	89,253	0	0	89,253
Public Safety	0	32,641	0	32,641
Public Works	10,552	0	3,198	13,750
Cultural and Recreation	0	0	4,050	4,050
Other Functions	8,515	0	0	8,515
Total Expenditures	118,332	32,641	7,248	158,221
Net Change in Fund Balance	63,792	4,153	3,996	71,941
<u>FUND BALANCE</u> - Beginning of Year	609,463	64,346	8,869	682,678
<u>FUND BALANCE</u> - End of Year	\$ 673,255	\$ 68,499	\$ 12,865	\$ 754,619

The accompanying notes are an integral part of the financial statements.

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
MANTON, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2008

Net Change in Fund Balance - Total Governmental Funds	\$ 71,941
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlay as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Capital Outlay	9,616
Depreciation Expense	<u>(10,861)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 70,696</u></u>

The accompanying notes are an integral part of the financial statements.

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
MANTON, MICHIGAN

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
MARCH 31, 2008

	<u>AGENCY FUND</u>
<u>ASSETS</u>	
Cash	\$ 1,053
	<hr/>
<u>LIABILITIES</u>	
Due to Other Funds	\$ 1,000
Due to Other Governments	53
	<hr/>
TOTAL LIABILITIES	\$ 1,053
	<hr/>

The accompanying notes are an integral part of the financial statements.

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Caldwell Township is a general law township located in Missaukee County which operates under the direction of an elected township board. Under the criteria established by generally accepted accounting principles, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

The Township adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Caldwell Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditure for fire protection.

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

Additionally Caldwell Township reports the following fund types:

The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

The investment policy adopted by the Township states that the Township is limited to investments authorized by Public Act 20 of 1943 (MCL 129.91 et seq), as amended, or as shall be amended in the future, and may include the following:

- (a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution. Authorized depositories shall be designated by the Haring Charter Township Board at the Board's organizational meeting after each regular election of members.
- (c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

- (d) Investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (ex Sess) PA7, MCL 124.501 to 124.512.
- (e) Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.11 to 129.118.

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and county taxes are levied and due July 1, and become delinquent after September 15. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2007 taxable valuation of Caldwell Township totaled \$37,537,870, on which ad valorem taxes consisted of 1.4597 mills for Caldwell Township operating purposes, and 1 mill for Caldwell Township fire protection. These levies raised approximately \$54,783 for operating purposes, and \$34,949 for fire protection.

3. *Inventories and Prepaid Items*

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building Improvements	20
Public Domain Infrastructure	20
Land Improvements	25
Equipment and Furniture	5-10

5. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The Township currently has no long-term obligations.

6. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts are as originally adopted on March 29, 2007, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Township's deposits and investments are all on deposit with Chemical Bank in Lake City, Michigan, Citizens Bank in Cadillac, Michigan, and with Fifth Third Bank in Cadillac, Michigan.

Investment rate risk. The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

Foreign currency risk. The Township is not authorized to invest in investments which have this type of risk.

Credit risk. The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

Concentration of credit risk. The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2008, of the government's bank balance of \$652,263, \$342,990 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end the Township held no investments.

B. Receivables

Receivables as of year end for the government's individual funds are as follows:

	General	Fire	Lake Improvement	Total
Receivables				
Accounts	\$ 1,065	\$ 0	\$ 0	\$ 1,065
Taxes	6,499	4,452	872	11,823
Due from Other Governments	22,010	0	0	22,010
	<u>\$ 29,574</u>	<u>\$ 4,452</u>	<u>\$ 872</u>	<u>\$ 34,898</u>

The allowance for doubtful accounts is not considered to be material for disclosure.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the fiscal year, the Township did not have any deferred revenue.

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

C. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 5,000	\$ 0	\$ 0	\$ 5,000
Capital assets, being depreciated				
Buildings and Building Improvements	168,183	1,500	0	169,683
Land Improvements	23,475	0	0	23,475
Infrastructure	0	8,116	0	8,116
Equipment and Furniture	56,799	0	0	56,799
Total capital assets, being depreciated	248,457	9,616	0	258,073
Less accumulated depreciation for:				
Buildings and Building Improvements	80,908	6,219	0	87,127
Land Improvements	11,627	939	0	12,566
Infrastructure	0	169	0	169
Equipment and Furniture	35,008	3,534	0	38,542
Total accumulated depreciation	127,543	10,861	0	138,404
Total capital assets, being depreciated, Net	120,914	(1,245)	0	119,669
Governmental activities capital assets, Net	\$ 125,914	\$ (1,245)	\$ 0	\$ 124,669

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General Government	\$ 10,692
Public Works	169
	<u>\$ 10,861</u>

Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2008.

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at March 31, 2008, were:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 1,000	\$ 0
Fiduciary Funds		
Current Tax Collection Fund	0	1,000
	<u>\$ 1,000</u>	<u>\$ 1,000</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers are used to: (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The Township has no interfund transfers.

E. Fund Balance Reserves

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances/retained earnings in various funds. These reserves are detailed in the following schedule:

FUND BALANCE/NET ASSETS

Reserved	
General Fund	
Prepaid Expenditures	\$ 592
Special Revenue Funds	
Fire Fund	
Fire Protection	68,499
Street Lighting Fund	
Street Lighting	<u>12,865</u>
TOTAL FUND BALANCE RESERVATIONS	<u>\$ 81,956</u>

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers compensation insurance and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

B. Retirement Plan

The Township has a defined contribution pension plan with Municipal Retirement Systems, Inc. which covers Township employees who have satisfied the eligibility requirements. Each employee becomes eligible for coverage on the first policy anniversary date which the employee reaches age 18. An employee's normal retirement date is age 65 or the 5th anniversary of the first day of the plan year in which participation in the plan is commenced.

The formula for determining contributions is based on an employee's annual compensation. Annual compensation is based on compensation which coincides with the calendar year coinciding with or ending within the plan year. Plan year is April 1st to March 31st of the following year. The Township has elected to contribute 6% of compensation to the plan annually, with employees contributing an additional 6%. Past service credit is calculated as 3% of current compensation for each year of past service to a maximum of 10 years.

Township contributions to the plan for 2007-08 plan year amounted to \$2,391 and employees contributed \$2,391. In addition, the Township paid \$379 in service fees.

Total wages for those covered under the plan was \$46,884 and total wages for the employees including noncovered payroll was \$49,474.

C. Lake Improvement Fund

Caldwell and Lake Township property owners on Crooked Lake have established a Lake Improvement Board for the purpose of improving Crooked Lake. A special assessment district was established with each municipality collecting the assessment from its property owners within the district. Caldwell and Lake Townships send the collected assessments to the Crooked Lake Improvement Board which maintains the records for the lake improvements.

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

The Lake Improvement Fund as reported in these financial statements shows the transactions of the Township Lake Improvement Fund as they would have occurred if all lake improvement monies received for the current and delinquent taxes were sent to the Lake Improvement Fund before being sent to the Crooked Lake Improvement Board. The payments are being sent to the Crooked Lake Improvement Board directly from the Current Tax Fund and from the General Fund due to substantial savings of time and bookkeeping procedures.

D. Fire Protection

The Township contracts with the City of Manton for fire protection. The City of Manton contract calls for payment at .75 mills on SEV of the area covered. The contract runs from December 1, to November 30, of each year. For the 2007-2008 fiscal year, the Township paid \$8,569 for this protection.

E. Lake Missaukee Area Fire Authority

The Lake Missaukee Area Fire Authority is a joint venture by and between the City of Lake City and the townships of Caldwell, Forest, Lake, Pioneer, and Reeder. This joint venture was created to provide fire protection for the listed governments. Each municipality pays an annual base amount equal to one-half of one mill of taxable value of the real property located in the areas of the municipality covered by this agreement. In addition, the Township pays \$500 per fire run within the Township.

In addition to the annual contribution, each township may be required to contribute monies for capital expenditures.

For the year ended March 31, 2008, the Township contributed a total of \$11,809 to the Fire Authority for operations.

The following financial information was taken from the Fire Authority's March 31, 2007, audited financial statements:

Total Net Assets	\$ 530,652
Net Assets Invested in Capital Assets Net of Related Debt	435,166
Fund Balance - Unreserved	95,486
Total Revenues	161,423
Total Expenditures	104,511
Net Change in Fund Balance	56,912

A copy of these audited financial statements may be obtained upon request from the Fire Authority Treasurer.

F. Due from Other Governments

Amounts due from other governments consist of \$22,010 in state-shared revenues.

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
MANTON, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2008

	GENERAL FUND			FIRE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>						
Taxes	\$ 50,000	\$ 50,000	\$ 58,326	\$ 0	\$ 0	\$ 34,949
State Grants	90,000	90,000	95,817	0	0	0
Charges for Services	4,010	4,010	3,975	300	300	0
Interest and Rents	20,700	20,700	22,948	400	400	1,845
Other Revenues	3,240	3,240	1,058	0	0	0
Total Revenues	167,950	167,950	182,124	700	700	36,794
<u>EXPENDITURES</u>						
Legislative						
Township Board	20,157	20,157	10,012	0	0	0
General Government						
Supervisor	13,639	13,639	12,055	0	0	0
Election	3,000	3,000	1,669	0	0	0
Assessor	28,635	28,635	22,913	0	0	0
Clerk	16,900	16,900	14,336	0	0	0
Board of Review	2,200	2,385	1,887	0	0	0
Treasurer	26,900	26,900	20,272	0	0	0
Buildings and Grounds	35,490	35,490	14,639	0	0	0
Cemetery	5,350	5,350	1,482	0	0	0
Public Safety	0	0	0	35,462	35,462	32,641
Public Works	125,540	125,540	10,552	0	0	0
Other Functions	24,400	24,400	8,515	0	0	0
Total Expenditures	302,211	302,396	118,332	35,462	35,462	32,641
Net Change in Fund Balance	(134,261)	(134,446)	63,792	(34,762)	(34,762)	4,153
<u>FUND BALANCE</u> - Beginning of Year	611,677	611,677	609,463	46,426	46,426	64,346
<u>FUND BALANCE</u> - End of Year	\$ 477,416	\$ 477,231	\$ 673,255	\$ 11,664	\$ 11,664	\$ 68,499

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
MANTON, MICHIGAN

GENERAL FUND

BALANCE SHEET
MARCH 31, 2008

ASSETS

Cash	\$ 642,089
Taxes Receivable	6,499
Accounts Receivable	1,065
Due from Other Governments	22,010
Due from Other Funds	1,000
Prepaid Expenditures	592
	<hr/>
TOTAL ASSETS	\$ 673,255
	<hr/> <hr/>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	<hr/> \$ 0
<u>FUND BALANCE</u>	
Reserved for Prepaid Expenditures	592
Unreserved	672,663
	<hr/>
Total Fund Balance	673,255
	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 673,255
	<hr/> <hr/>

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
MANTON, MICHIGAN

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2008

REVENUES

Taxes	\$ 58,326
State Grants	95,817
Charges for Services	3,975
Interest and Rents	22,948
Other Revenues	1,058
Total Revenues	<u>182,124</u>

EXPENDITURES

Legislative	
Township Board	10,012
General Government	
Supervisor	12,055
Election	1,669
Assessor	22,913
Clerk	14,336
Board of Review	1,887
Treasurer	20,272
Building and Grounds	14,639
Cemetery	1,482
Public Works	10,552
Other Functions	8,515
Total Expenditures	<u>118,332</u>

Net Change in Fund Balance	63,792
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<u>FUND BALANCE</u> - Beginning of Year	<u>609,463</u>
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<u>FUND BALANCE</u> - End of Year	<u><u>\$ 673,255</u></u>
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CALDWELL TOWNSHIP, MISSAUKEE COUNTY
MANTON, MICHIGAN

FIRE FUND

BALANCE SHEET
MARCH 31, 2008

ASSETS

Cash	\$ 64,047
Taxes Receivable	<u>4,452</u>
TOTAL ASSETS	<u><u>\$ 68,499</u></u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
<u>FUND BALANCE</u>	
Reserved for Fire Protection	<u>68,499</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 68,499</u></u>

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
MANTON, MICHIGAN

FIRE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2008

REVENUES

Taxes	
Current Property Tax	\$ 34,949
Interest and Rents	
Interest Earnings	<u>1,845</u>
Total Revenues	<u>36,794</u>

EXPENDITURES

Public Safety	
Fire Protection	
Personal Services	
Salaries and Wages	540
Other Services and Charges	
Aid to Other Government	
City of Manton - Equipment	10,000
City of Manton Base Contracts	8,569
Lake Missaukee Area Fire Authority	11,809
Miscellaneous	
Other Miscellaneous	141
Delinquent Fire Runs	<u>1,582</u>
Total Expenditures	<u>32,641</u>
Excess (Deficiency) of Revenues	
Over Expenditures	4,153

<u>FUND BALANCE</u> - Beginning of Year	<u>64,346</u>
<u>FUND BALANCE</u> - End of Year	<u><u>\$ 68,499</u></u>

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
MANTON, MICHIGAN

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET
MARCH 31, 2008

	STREET LIGHTING	LAKE IMPROVEMENT	TOTAL
<u>ASSETS</u>			
Cash	\$ 12,264	\$ 0	\$ 12,264
Taxes Receivable	872	0	872
TOTAL ASSETS	<u>\$ 13,136</u>	<u>\$ 0</u>	<u>\$ 13,136</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 271	\$ 0	\$ 271
<u>FUND BALANCE</u>			
Reserved for Street Lighting	12,865	0	12,865
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 13,136</u>	<u>\$ 0</u>	<u>\$ 13,136</u>

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
MANTON, MICHIGAN

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2008

	STREET LIGHTING	LAKE IMPROVEMENT	TOTAL
<u>REVENUES</u>			
Taxes	\$ 7,045	\$ 0	\$ 7,045
Interest and Rents	149	0	149
Other Revenues	0	4,050	4,050
Total Revenues	7,194	4,050	11,244
<u>EXPENDITURES</u>			
Public Works			
Street Lighting	3,198	0	3,198
Cultural and Recreation			
Lake Improvement	0	4,050	4,050
Total Expenditures	3,198	4,050	7,248
Excess (Deficiency) of Revenues Over Expenditures	3,996	0	3,996
<u>FUND BALANCE</u> - Beginning of Year	8,869	0	8,869
<u>FUND BALANCE</u> - End of Year	\$ 12,865	\$ 0	\$ 12,865

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
MANTON, MICHIGAN

STREET LIGHTING FUND

BALANCE SHEET
MARCH 31, 2008

ASSETS

Cash	\$ 12,264
Taxes Receivable	<u>872</u>
 TOTAL ASSETS	 <u><u>\$ 13,136</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 271
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FUND BALANCE

Reserved for Street Lighting	<u>12,865</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 13,136</u></u>
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CALDWELL TOWNSHIP, MISSAUKEE COUNTY
MANTON, MICHIGAN

STREET LIGHTING FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2008

REVENUES

Taxes	
Property Taxes	\$ 7,045
Interest and Rents	
Interest Earnings	<u>149</u>
Total Revenues	7,194

EXPENDITURES

Public Works	
Street Lighting	
Other Services and Charges	
Public Utilities	<u>3,198</u>
Excess (Deficiency) of Revenues	
Over Expenditures	3,996

<u>FUND BALANCE</u> - Beginning of Year	<u>8,869</u>
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<u>FUND BALANCE</u> - End of Year	<u><u>\$ 12,865</u></u>
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CALDWELL TOWNSHIP, MISSAUKEE COUNTY
MANTON, MICHIGAN

LAKE IMPROVEMENT FUND

BALANCE SHEET
MARCH 31, 2008

ASSETS

TOTAL ASSETS	<u>\$ 0</u>
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LIABILITIES AND FUND BALANCE

LIABILITIES

Due to Other Governments	\$ 0
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<u>FUND BALANCE</u>	<u>0</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 0</u>
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CALDWELL TOWNSHIP, MISSAUKEE COUNTY
MANTON, MICHIGAN

LAKE IMPROVEMENT FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2008

REVENUES

Other Revenues	
Special Assessments	<u>\$ 4,050</u>

EXPENDITURES

Cultural and Recreation	
Lake Improvement	
Aid to Other Governments	<u>4,050</u>

Excess (Deficiency) of Revenues	
Over Expenditures	0

<u>FUND BALANCE</u> - Beginning of Year	<u>0</u>
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<u>FUND BALANCE</u> - End of Year	<u><u>\$ 0</u></u>
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CALDWELL TOWNSHIP, MISSAUKEE COUNTY
MANTON, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED MARCH 31, 2008

	BALANCE		BALANCE	
	4/1/2007	ADDITIONS	DEDUCTIONS	3/31/2008
<u>ASSETS</u>				
Cash	\$ 1,411	\$ 1,143,042	\$ 1,143,400	\$ 1,053
<u>LIABILITIES</u>				
Due to Other Funds	\$ 1,000	\$ 99,931	\$ 99,931	\$ 1,000
Due to Other Organizations and Individuals	0	327	327	0
Due to Other Governments	411	1,042,784	1,043,142	53
TOTAL LIABILITIES	\$ 1,411	\$ 1,143,042	\$ 1,143,400	\$ 1,053

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601
PHONE: 231-775-9789 FAX: 231-775-9749
www.bcbcpa.com

June 20, 2008

To the Township Board
Caldwell Township
Missaukee County
Manton, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Caldwell Township, Missaukee County, Manton, Michigan as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Caldwell Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

1) Lack of Segregation of Duties

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally. As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the deficiencies described above are material weaknesses.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

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CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601
PHONE: 231-775-9789 FAX: 231-775-9749
www.bcbcpa.com

June 20, 2008

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Township Board
Caldwell Township
Missaukee County
Manton, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Caldwell Township for the year ended March 31, 2008, and have issued our report thereon dated June 20, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 10, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Caldwell Township are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007-08. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. No material misstatements were noted.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 20, 2008.

Management Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During the course of our audit of the basic financial statements of Caldwell Township for the year ended March 31, 2008, we noted the following item which we feel deserves comment:

General Recordkeeping

The accounting records for the year ended March 31, 2008, were found to be in good order and in compliance with the State's uniform accounting system. We commend the Township clerk and treasurer for a job well done.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.